

GUATEMALA

LABOR MARKET PROGRAM

(GU-0158)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Marcelo Cabrol (RE2/SO2), Team Leader; José Antonio Mejía (SDS/POV); Sergio Molina (COF/CGU); Plinio Montalván (ITS/OMS); Laura Profeta (LEG/OPR); Ferdinando Regalía (RE2/SO2); and Deni Sánchez (RE2/SO2). Inputs for the document's preparation were provided by consultants Roberto Flores, René Cortazar, Osvaldo Giordano and Alejandra Torres.

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ABBREVIATIONS

COMBEL	Core job competencies and hands-on experience
DICAFORE	Training, Skills Development and Employment Directorate (Ministry of Labor)
ENCOVI	Living Standards Survey
ENEI	National Employment and Income Survey
IDB	Inter-American Development Bank
INTECAP	Technical Training Institute
MINTRAB	Ministry of Labor and Social Security
NGO	Nongovernmental organization
OC	Ordinary Capital
PAU	Program Administration Unit
RESEVIN	Employment Services Network
SEGEPLAN	Programming and Planning Secretariat of the President's Office
SPNE	National Public Employment Service
WAP	Working-age population



GUATEMALA

IDB LOANS

APPROVED AS OF MARCH 31, 2002

	US\$Thousand	Percent
TOTAL APPROVED	2,174,868	
DISBURSED	1,762,110	81.0%
UNDISBURSED BALANCE	412,758	19.0%
CANCELLATIONS	254,214	11.7%
PRINCIPAL COLLECTED	719,589	33.1%
APPROVED BY FUND		
ORDINARY CAPITAL	1,477,547	67.9%
F W D FOR SPECIAL OPERATIONS	627,341	28.8%
OTHER FUNDS	69,980	3.2%
OUTSTANDING DEBT BALANCE	1,042,521	
ORDINARY CAPITAL	638,887	61.3%
FUND FOR SPECIAL OPERATIONS	396,870	38.1%
OTHER FUNDS	6,763	0.6%
APPROVED BY SECTOR		
AGRICULTURE AND FISHERY	178,506	8.2%
INDUSTRY, TOURISM; SCIENCE - TECHNOLOGY	204,061	9.4%
ENERGY	314,048	14.4%
TRANSPORTATION AND COMMUNICATIONS	435,072	20.0%
EDUCATION	65,628	3.0%
HEALTH AND SANITATION	300,857	13.8%
ENVIRONMENT	24,300	1.1%
URBAN DEVELOPMENT	176,742	8.1%
SOCIAL INVESTMENT AND MICROENTERPRISE	240,496	11.1%
REFORM PUBLIC SECTOR MODERNIZATION	233,394	10.7%
EXPORT FINANCING	1,764	0.1%
PREINVESTMENT AND OTHER	0	0.0%

*Net of cancellations with monetary adjustments and export financing loan collections



GUATEMALA

STATUS OF LOANS IN EXECUTION AS MARCH 31, 2002

(Amounts in US\$ thousands)

APPROVAL PERIOD	NUMBER OF PROJECTS	AMOUNT APPROVED	AMOUNT DISBURSED	% DISBURSED
Before 1996	4	84,700	79,218	93.53%
1996 - 1997	6	195,110	164,136	84.13%
1998 - 1999	9	431,672	128,239	29.71%
2000 - 2001	5	73,029	0	0.00%
TOTAL	24	\$784,511	\$371,593	47.37%

* Net of Cancellations . Excluding export financing loans.



GUATEMALA

TENTATIVE LENDING PROGRAM

US\$ Millions

2002			
GUO133	Priority Basin Natural Resources	40.0	APPROVED
GUO119	Financial Sector Reform Program II	200.0	
GUO158	Labor Market Program	10.7	
GUO151	Capital Expen. Electricity Distribution	35.0	
TOTAL A		285.7	
GUO155	Progr. Against Urban Poverty	54.0	
GUO126	Rural Electrification Program	92.0	
GUO143	Modernization of National Congress	12.0	
GUO170	Housing / Population Census	22.0	
GUO164	National System Services and Goods Contr.	6.8	
GUO165	Electoral Supreme Tribunal Modernization	15.0	
GUO159	Training and Literacy Workshops	10.0	
GUO163	Citizen Security	30.0	
GU0066	Sanitation & Sust. management Amatitlan Basin	21.0	
GUO150	Rural Water Investment Program	50.0	
TOTAL B		312.8	
TOTAL 2002		598.5	
2003			
GU0169	Social Security Program	100.0	
GU0171	Electric Interconnection	20.0	
GU0166	Education Reform Support (AREII)	40.0	
GU0154	Microcredit Global Program	20.0	
GU0153	Supplement Housing Program	20.0	
TOTAL A		200.0	
GU0157	Pov. Red. Strat Implementation	30.0	
TOTAL B		30.0	
TOTAL 2003		230.0	

LABOR MARKET PROGRAM

(GU-0158)

EXECUTIVE SUMMARY

Borrower:	Republic of Guatemala	
Executing agency:	Ministry of Labor and Social Security (MINTRAB)	
Amount and source:	IDB (OC):	US\$10,000,000
	Local:	US\$ 1,224,000
	Total:	US\$11,224,000
	Currency:	U.S. dollars, Single Currency Facility
Financial terms and conditions:	Amortization period:	25 years
	Grace period:	4.5 years
	Disbursement period:	maximum 4.5 years minimum 3 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
Objectives:	The objective of the labor market program is to improve conditions for Guatemalans' labor-market participation and foster a new structure of institutional incentives in the employment training and intermediation spheres to better match supply and demand and enhance occupational outcomes and job productivity.	
Description:	The program's specific objectives, described in the following paragraphs that outline its components, are to: (i) provide training for vulnerable Guatemalan rural populations, under contracts awarded through competitions among selected training organizations; (ii) help match training supply and demand and employment supply and demand nationwide by consolidating the MINTRAB National Public Employment Service; and (iii) strengthen the labor statistics system and MINTRAB's capacity for labor statistics analysis, and establish a system to monitor and evaluate the program.	
	<p>Component 1. Training of the poor rural workforce (US\$4.3 million). Actions funded under this component will help improve the chances of gainful employment for poor residents of rural areas, where steady employment prospects are slim and labor productivity is very low. Training will be provided for unemployed and underemployed poor rural dwellers by way of two lines of activity</p>	

which aim to: (i) make the rural jobless more employable by giving them training with contents geared to regional job market needs; and (ii) instill skills that can increase underemployed workers' productivity.

The program will finance roughly 2,000 courses with modules that last up to 10 days, with six to eight hours of courses per day. Expected to benefit are an estimated 25,000 rural residents—approximately 3% of the unemployed or underemployed economically active rural population. Organizations will be hired through public competitions to deliver this training. To be eligible for consideration a proposed training activity must benefit residents of rural municipalities with marginalization indices above the national average according to the poverty map developed recently by the Programming and Planning Secretariat of the President's Office (SEGEPLAN). Prospective providers will compete on the basis of training contents that satisfy predetermined requirements as to relevance, gender and ethnic criteria (a priority), and interface of the training with other production-support and social investment initiatives.

Component 2. The National Employment Intermediation Service (US\$3.8 million). This component will strengthen and link job intermediation and training services, gearing training toward the development of knowledge and skills that the production sectors are demanding. It will fund the consolidation of the National Public Employment Service (SPNE) by supporting: (i) implementation of the Electronic Job Bank, consolidating its operation and expanding it to the eight SPNE regional offices; (ii) establishment of an Employment Services Network (RESEVIN) to enhance job seekers' employment prospects by linking private employment agencies and MINTRAB in Metropolitan Guatemala City; (iii) improvements in the quality, coverage, and timing of job kiosks and fairs, organizing 51 job kiosks and 12 job fairs; and (iv) strengthening of the SPNE's structure and organization in the eight regions in order to expand employment services and broaden their coverage.

To make SPNE employment assistance services more effective the program will finance: (i) technical assistance to improve the content of manuals and guides used in Workshops for the Unemployed and print and distribute 32,000 copies of job-search guides; and (ii) approximately 200 training courses to develop core job competencies and give participants hands-on experience (COMBEL courses), benefiting 4,000 jobless individuals aged 18 to 29. The training will be delivered by private agencies registered with MINTRAB's Roster of Training Institutions, under contracts awarded through a competitive process.

Component 3. Strengthening of the labor statistics system and evaluation and monitoring of the program (US\$1.5 million). This component will support: (i) execution of the National Employment and Income Survey by the National Statistics Bureau; (ii) implementation of a system to monitor the program activities and strengthening of MINTRAB's capacity for labor statistics analysis and database management; (iii) two rounds of impact evaluations of the program-funded employment intermediation and training activities; and (iv) a midterm operational review of the program.

The Bank's country and sector strategy:

Strategy of the Guatemalan government. The promotion of technical training and skills development is one of the government's strategy objectives. This commitment is embodied in the Peace Accords, in the country's 2000-2004 Social Policy Matrix, and in the Poverty Reduction Strategy now in preparation. In the Social Policy Matrix, MINTRAB is assigned shared responsibility for promoting an increase in overall employment, addressing legal requirements and equity imperatives. One of MINTRAB's mandates is to help design and institute mechanisms to help job seekers find work and facilitate labor-market mobility.

The Bank's country strategy. As described in the Guatemala country paper, the Bank's strategy in the labor-market area is to help improve training, modernize the sector authority, modernize the sector generally so as to integrate training, employment, and education, and create job intermediation systems. In the region the Bank intends to support structural reforms of active labor market policies, to foster competitiveness and make the workforce more employable. The proposed program promotes a new structure of institutional incentives in the employment training and intermediation spheres to better match supply and demand and enhance occupational outcomes and job productivity.

Environmental and social review:

Since most of the proposed activities focus on training and technical assistance, with some modest outlays for furniture and equipment, the program should have no direct impact on the environment. Nevertheless, one requirement for the training proposals presented is an analysis of the environmental impact of the work activities to be fostered. One element in proposal scoring will be the applicant's description of proposed training segments on environmental management and sustainability.

Benefits:

Activities in rural areas. The program's anticipated impacts in rural areas are: (i) an increase in hourly employment earnings and/or in number of hours worked by program beneficiaries compared to a control group; and (ii) greater differentiation in employment income

sources in beneficiary households, to leave them less vulnerable. The targeted training in rural areas will benefit Guatemala's poorest population, which has the highest concentration of indigenous people and the lowest female labor market participation rate. The gender and ethnic makeup of prospective pools of trainees will be key factors in selecting training proposals for funding under this operation. Training contracts will be awarded to NGOs and other private training providers with proven experience in surmounting geographic and linguistic barriers, to ensure that training activities are effective and to gear course contents to the real local production environment. So as to maximize the benefits of the training activities, agencies submitting proposals are to indicate how the training will complement other actions, funded by other government or nongovernmental agencies, that are helping the same target clientele to accumulate productive assets such as equipment, inputs, and capital.

Activities in urban areas. Anticipated benefits from consolidating and expanding the National Public Employment Service and establishing an Employment Services Network (RESEVIN) are: (i) for the unemployed, more efficient job searches; and (ii) for employers, lower recruitment costs and closer matching between workers' skills profiles and the skills profile of positions to be staffed. Implementation of RESEVIN will permit the testing of a service delivery model that would set the stage for sustainable expansion of employment assistance services to other parts of the country. Another expected benefit of an expanded and more solid national employment services system, to judge from other experiences, would be a lower risk of gender and ethnic discrimination in the job market. Lastly, the synergies the program would create between RESEVIN and private training providers will help people who are without work or not part of the workforce to develop core job competencies and also gain hands-on experience on company premises. This training mix is expected to: (i) greatly enhance employment prospects; and (ii) improve earnings and job stability for training recipients.

Risks:

The program's success in achieving the anticipated impacts in terms of income increases, improvements in employability and productivity gains will hinge in large measure on robust, sustainable economic growth. One of the program's main risks lies in MINTRAB's lack of experience as training sector regulator and evaluator. To attenuate this risk, the ministry's capabilities in those spheres are being bolstered prior to the start of the operation described here. The guidelines and operating procedures being developed with support from operation ATN/SF-7451-GU (Institutional Strengthening and Preparation of the Labor Market Program) will permit the execution of the component 1 and 2 activities.

To be able to implement a nationwide Public Employment Service, MINTRAB will need solid management capabilities, including the ability to coordinate the work of regional offices and headquarters, training organizations, production-sector demands, and job seekers' needs. To mitigate risks in this regard the program will blend the experience gained through the Electronic Job Bank and job fairs and kiosks with staged implementation of the system in the regional offices. By the end of the program it will operate nationwide.

Special contractual conditions:

Conditions precedent to the first disbursement:

1. Evidence that MINTRAB has set up the Program Administration Unit and has hired, at a minimum, the general coordinator and the accountant (paragraph 3.20, Table III-3, in the proposal that follows).
2. Presentation of terms of reference and bid documents for the external evaluation of the program's impact (paragraph 3.20, Table III-3).
3. Entry into effect of the program's Operating Manual (paragraph 3.20, Table III-3).

Conditions precedent to disbursement of component 3 funds:

1. Signing of an agreement between MINTRAB and the National Statistics Bureau for execution of the National Employment and Income Survey (paragraph 3.20, Table III-3).

Poverty targeting and social equity classification:

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, the operation qualifies as a poverty-targeted investment (PTI) by virtue of geographic and poverty index ("headcount") ratio criteria (see paragraph 4.13).

Exceptions to Bank policy:

None.

Procurement:

There are no plans in the program for civil works construction. Bank procedures will be followed to obtain goods and associated services, hire consultants, and contract for training courses. The following procurement and contracting procedures will be used: (i) international competitive bidding, to contract for courses and purchase goods costing US\$250,000 or more and for technical assistance contracts worth US\$200,000 or more; (ii) local competitive bidding, to contract for courses and purchase goods costing between US\$100,000 and

US\$249,000 and for technical assistance contracts between US\$100,000 and US\$199,000; and (iii) restricted calls for proposals, to contract for courses and technical assistance and purchase goods worth less than US\$100,000. Course-contracting documentation will be reviewed by the Bank as stipulated in Annex D to the loan contract, referred to in paragraph 3.13. Procurement documentation for goods and consulting services will be reviewed ex ante. The foregoing provisions notwithstanding, in the course of the program the Bank may approve the ex post review of documents relating to tenders for goods and consulting services, based on an evaluation of the executing agency's performance.

I. FRAME OF REFERENCE

A. The Guatemalan labor market

- 1.1 A rise in Guatemala's working-age population (WAP)—persons between 16 and 65 years of age—in the 1990s signaled a shift in the country's demographic profile. By the year 2020, 61% of the total population will be of working age. Since this will mean an increase in the number of prospective workers per household,¹ Guatemala has a window of opportunity to lower its high incidence of poverty. However, to make the most of these circumstances it will need to tackle the challenge of bringing a rapidly growing number of people into the workforce.
- 1.2 The backdrop for this challenge is a labor market (see Table I-1) that has by no means been able to provide steady employment for the bulk of the workforce.² To mention some salient features: (i) the overall labor participation rate is low, particularly the figures for women; (ii) a considerable share of the very young are working; (iii) workers' educational attainment is low; (iv) unemployment is concentrated in urban areas and is particularly high for young people; and (v) underemployment rates are high, especially in rural areas.

Table I-1. The Guatemalan labor market

	WAP by age range				
	15-19	20-24	25-45	45-65	Total
Labor participation rate					
Males	75%	93%	98%	95%	91%
Females	42%	53%	57%	53%	52%
Total	59%	71%	76%	73%	71%
Open unemployment					
Urban	18%	11%	8%	7%	10%
Rural	9%	10%	5%	3%	6%
Underemployment					
Urban	62%	47%	35%	48%	43%
Rural	62%	72%	65%	68%	66%

- 1.3 At present only 70% of working-age Guatemalans are in fact employed or seeking work. The explanation lies in the low female participation rate: only 52% of women are classed as part of the paid economy. Rural women are even less likely to be gainfully employed. However, since the new cohorts are completing more years of schooling and fertility is declining, there are good prospects for an improvement in women's workforce participation rates in the medium term.
- 1.4 Guatemala's strong population growth has created an age structure skewed toward the youngest cohorts. Another trend of note is the labor-market participation of

¹ The dependency ratio will fall from 0.85 to 0.57 over the same interval.

² Source: IDB Research Department, based on the 1998/1999 National Survey of Household Income and Expenditure.

Guatemalans at either end of the working-age spectrum—the youngest and the oldest. In addition, in the under-20 segment the participation rate of indigenous people (69%) is higher than for the non-indigenous population (50%). Among the various reasons for rising youth and indigenous participation rates are the higher incidence of poverty in indigenous households and limited access to education.

- 1.5 Educational attainment and skills levels are still weak. While 43% of the under-25 WAP has completed at least primary school, only 32% of adults hold a primary-school diploma. One third of the WAP has not completed a single year of schooling; another third never finished primary school, and another 15% never enrolled in secondary school. Three quarters of the WAP without complete primary schooling are rural dwellers; 60% are female, and nearly all of them are indigenous people. When one looks at average years of schooling in the age-25 cohort, Guatemala with 5.7 years ranks below Honduras with 6.3 years, Nicaragua with 6.2, El Salvador with 7.8, and Mexico with 9.1 years. Guatemala's low educational attainment and skills development translates into wages well below the minimum and weak labor productivity.
- 1.6 Unemployment in Guatemala is concentrated in urban areas and is particularly severe for the young—even more so for women with higher educational attainment. Clearly these groups are having difficulty entering the paid workforce. Guatemala's open unemployment rates are relatively low (around 7%) and spells of unemployment tend to be short, averaging about four months. Even so, that average duration is nearly double the figure reported in other countries in the region.³ The higher the level of education, the higher the open unemployment rate. This pattern is particularly pronounced among young women, whose unemployment rates are highest in the group that finished secondary school.⁴ Judging from the evidence, one reason for these employment difficulties is the lack of job search and information mechanisms: among the discouraged urban unemployed, one third of women and 40% of men say that they "think there are no jobs and do not know how to look for work".
- 1.7 Whereas unemployment is an urban problem, hidden underemployment⁵ is prevalent in rural areas, along with low labor productivity. Two in three men and three in four women can be classed as underemployed. The underemployment figure for indigenous people is 10 percentage points higher than for the non-indigenous population. One has only to look at the number of jobs being created without social security benefits to see the extent of the problem: in the last five years, the economically active population climbed by about 125,000 annually but

³ The average is longer for women (4.52 months) than for men (4.01 months).

⁴ The open unemployment rate is 16.4% for young secondary-school graduates between 20 and 24, and 18.9% for those without schooling. Women are twice as likely to be unemployed as men are.

⁵ Percentage of the employed who are earning less than the statutory minimum.

only 52,500 people were added to the social security rolls.⁶ In other words, 11 of every 12 jobs created are offering no social security benefits to workers.⁷

- 1.8 In these circumstances, the twin pillars of Guatemala's labor market policies are to see more of the working-age population gainfully employed and to improve the labor productivity of those who are working or underemployed. Those labor policy goals go hand in hand with the country's policies to spur economic growth and expand formal education access.

B. Employment training and intermediation in Guatemala

- 1.9 Pursuant to Government Order 872-2000 of 28 December 2000, Guatemala's Ministry of Labor and Social Security (MINTRAB) is responsible for promoting vocational and technical human resources training through effective programs. To that end the ministry's Training, Skills Development and Employment Directorate (DICAFORE) developed a training, skills development and employment policy (hereinafter 'the Policy'), under the terms of which MINTRAB is to: (i) coordinate technical training in the country to ensure that public and private training providers coordinate their efforts and complement one another; and (ii) fund external services to train segments of the workforce that traditionally have been excluded from existing training programs, as marginal populations with low educational attainment.
- 1.10 Underpinning the Policy is evidence that despite the considerable resources being expended on job training in urban areas through the Technical Training Institute (INTECAP) and in rural areas through NGOs, employment training needs to be more relevant and its coverage and quality need improving. A number of strategy targets have already been mapped out for the medium term, after discussion and consultation with a series of training, production-sector and government stakeholders. The core of the exercise was the coordination forum called the "Initiative for Worker Placement and Training and Labor Institution Strengthening" (GESCAP), made up of 48 public and private training providers, including INTECAP, schools, the Guatemalan Managers Association, the Guatemalan Chamber of Commerce, MINTRAB, the Ministry of Economic Affairs, and representatives of international cooperation agencies including GTZ, KfW, and UNESCO.
- 1.11 INTECAP is an autonomous public technical-training institution. Funded with 1% of the payroll tax, it serves mainly the needs of businesses and the general public in urban areas. The demand for its services has been mounting because of the slow rise in educational attainment and high dropout rates in formal education, and the

⁶ Estimates from Guatemalan Social Security Administration data.

⁷ In 1995, 28.7% of the economically active population had social security; by 2000 the rate had fallen to 25.1%.

resulting weak skills level of the working-age population. Since 1994 INTECAP has quadrupled its services to the public and doubled the number of training actions for businesses, especially in towns and cities. But it has very limited activity outside urban areas and does not serve students who have little education. Most of its infrequent interventions in rural areas end up being irrelevant to the marketplace.

- 1.12 To address this situation, NGOs engaged in job-related training have expanded their stock of services to rural residents. Today more than 90 such organizations are delivering training in Guatemala; 35 of them cover a sizable portion of the rural sector. According to an analysis done to prepare the program proposed here, on average, the 10 leading training NGOs have 11 years' experience, an annual budget of US\$490,000, and annual enrollments of 6,500 in their training and education activities. To judge from the profile of training recipients, these institutions are successfully surmounting the geographical, cultural and linguistic barriers that are features of rural Guatemala. The analysis likewise reveals that the training services provided by these agencies are still scattered, the quality and relevance of their offerings varies, and there is some duplication or overlapping.
- 1.13 In pursuit of the Policy, DICAFORE has launched employment assistance services and actions to match up job seekers with vacancies. The skills, aptitudes and interests of those looking for work are ascertained and they receive guidance on suitable job openings. This approach comes out of international evidence that suggests that an efficient employment intermediation system can reduce unemployment, enhance productivity, and lower the risks of gender and ethnic discrimination.
- 1.14 Some highlights of DICAFORE's activities on this front are: (i) organization of a National Public Employment Service (SPNE) providing job intermediation services at MINTRAB headquarters; (ii) pilot implementation of an Electronic Job Bank combining the Employment Service's database and information management and dissemination system; and (iii) organization of job kiosks and job fairs in several departments in the Guatemalan interior. At these events, job seekers' skills, aptitudes and interests are identified and they receive information on suitable job openings.
- 1.15 These fledgling intermediation efforts have proved successful. Since its creation in 2000 the National Public Employment Service has posted over 9,000 jobs, has helped 6,000 job seekers (4% of the urban unemployed), and has made over 15,000 job referrals. A computerized employment intermediation system developed by the Electronic Job Bank is partially operational, having been installed thus far only at MINTRAB headquarters. DICAFORE also has organized 18 job kiosks and 7 job fairs.
- 1.16 Guatemala has numerous private placement agencies that help executives and other highly skilled candidates find jobs. Though these agencies complement the work of

the Employment Service, there is at present no interface between them and MINTRAB's services. Such a linkage would enable MINTRAB to provide better-quality, more expeditious service to businesses looking for skilled personnel and would improve job seekers' prospects of finding employment. In turn, a link-up with the Employment Service would enable the employment agencies to broaden their personnel search and referral services.

C. Challenges and rationale for the program

- 1.17 **Rural Guatemalans' access to training, and training quality.** Training investments in rural Guatemala are warranted because of that sector's low labor productivity, evidenced in its high underemployment rates both for salary or wage earners and the self-employed. However, it will be important to avoid duplication and make sure that training initiatives are of good quality. The operation described here proposes to implement an approach for executing rural training investments that features public competition, to make sure that the training contents devised are what the marketplace wants and that the training is coordinated with other production-support and social investment actions targeted to the same clientele. By instituting a competitive system MINTRAB will develop effective ground rules for training marginal populations, which avoid duplication, are geared to workplace demands, and will be replicable in future after they are evaluated.
- 1.18 **Expansion and improvement of job training and intermediation services for urban workers.** In any given quarter of the year there are around 170,000 urban unemployed, and the average period of unemployment lasts four months. This makes for a prospective demand of close to half a million people a year seeking job intermediation services in towns and cities. Even without counting net additions to the economically active population or the ranks of the underemployed, the potential demand for employment assistance far exceeds the current capacity of the Employment Service and MINTRAB.
- 1.19 Apart from increasing the Employment Service's coverage, efficiency, and quality, the proposed program would establish collaborative arrangements with private employment services. Another aim, using job intermediation channels, is to help the unemployed and underemployed, particularly young people, locate training options that will develop their skills profile to meet production-sector requirements. This will mean devising instruments to identify the requisite skills profiles and tailor training programs accordingly.
- 1.20 **Labor market information.** Analyses of the Guatemalan labor market's structure and operation and of income can be done from information currently available from censuses and socioeconomic and demographic surveys, but more data are needed to obtain a full picture of these multidimensional issues. As part of the Program to Improve Living Standards Measurement Surveys (MECOVI) supported by the IDB, the World Bank and ECLAC, the National Statistics Bureau is carrying out

preparatory work for a National Employment and Income Survey to be conducted quarterly in urban areas of Guatemala and annually in rural areas. There is a need to support the implementation of this national survey in order to fill in blanks in employment and income data and make it possible to assess MINTRAB policies and the work being done by other actors.

- 1.21 One of the core objectives of MINTRAB's new Policy is to increase the efficiency of overall investment in training and employment in Guatemala, helping to develop new ground rules to make all such efforts more relevant. The operation described here would strengthen MINTRAB's capacity to regulate, coordinate, direct and evaluate training actions in order to respond, with market logic, to the employment needs of businesses and workers. A positive assessment of the impact of this program is expected to lay the foundation for a reallocation of Guatemalan and external resources that today are being expended on training and skills development activities that are of scant relevance to the marketplace.

D. Country strategy and the Bank's strategy

- 1.22 Promoting technical training and skills development is one of the strategy guidelines of the Guatemalan government's development policy. This commitment is embodied in the Peace Accords, in the country's 2000-2004 Social Policy Matrix, and in the Poverty Reduction Strategy now being developed. In the Matrix, MINTRAB is assigned shared responsibility for promoting an increase in overall employment, addressing legal requirements and equity imperatives. One of MINTRAB's specific mandates is to design mechanisms to help job seekers find work and facilitate labor-market mobility.⁸
- 1.23 The Guatemala country paper (CP-1000-5) states that the Bank's strategy in the labor-market area is to support activities to improve training, institutional modernization of the sector authority, modernization of the sector generally so as to integrate training, employment, and education, and creation of job intermediation systems. The program proposed here was included in the list of Bank projects in the country paper.
- 1.24 **The Bank's experience in the sector.** The Bank supports structural reforms of active labor market policies in the region, with the aim of fostering competitiveness and making the workforce more employable. It financed the first phase of a labor market modernization program in Mexico (983/OC-ME) and is executing the second phase (1256/OC-ME). Other operations approved were an employment training and modernization program in the Dominican Republic (183/OC-DR) and an employment intermediation program in El Salvador (ATN/MH-7496-ES). Evaluations and assessments of these programs have confirmed that integrating government and private-sector actions for the design and delivery of employment

⁸ Executive Branch Act Decree 114-97, Article 40, paragraph f.

- counseling and training services: (i) improves the delivery of training services with contents relevant to job-market needs; and (ii) makes job intermediation services more effective by involving alternative providers in job placement and training services.
- 1.25 In its operations with Guatemala the Bank has acquired experience pertinent to the design of the program proposed here. Its technical-cooperation operation “Support for labor market development” (ATN/SF-6313-GU) fosters dialogue between the Guatemalan government, private enterprise, and union leaders. The “Regional program for labor market modernization” (ATN/MH-5978-RG) has spurred dialogue on: (i) the impact of globalization on the labor market; (ii) labor standards harmonization and application; and (iii) modernization of MINTRAB information systems. The “Project for promotion of private-sector participation in technical training in rural areas” (ATN/MH-5736-GU) successfully promoted improvements in methodologies for technical training of small rural producers in two leading private training centers, Fundación para el Desarrollo y Educación de la Mujer Indígena (Foundation for Education and Advancement of Indigenous Women) and Fundación Centroamericana para la Iniciativa del Sector Privado (Central American Foundation for Private Enterprise).
- 1.26 As for operations supported by other lending agencies, the World Bank approved a loan in 2000 (GT-PE-55084) to help develop a training market targeted to workers in small formal-sector enterprises. The Employment Promotion and Vocational Training program funded by the German Technical Cooperation Agency (GTZ) is helping microenterprises and small businesses become more competitive. The Spanish Agency for International Cooperation (AECI) has supported development of the Electronic Job Bank at MINTRAB headquarters and work methods for job kiosks and fairs. The project team examined all these initiatives and explored their compatibilities and common pursuits, which have been built into the design of the program proposed here.

II. PROGRAM OBJECTIVES AND DESCRIPTION

A. Objectives

- 2.1 The object of the program is to improve conditions for Guatemalans' labor-market participation. To that end it will foster a new structure of institutional incentives in the job training and intermediation spheres to better match supply and demand and enhance occupational outcomes and job productivity (see Table II-1). The preeminent aim on both the training and employment assistance sides is to devise procedures or "ground rules" to help change current training approaches and maximize the effects of employment intermediation, rather than simply running broad-based programs that try on their own to address the country's training needs and remedy unemployment and underemployment problems. To institute these procedures and give them legitimacy the plan is to make MINTRAB, as a governing body, the guiding authority and regulator of employment training and intermediation activities, working directly with NGOs and the private sector.

Table II-1. Illustrative outcome indicators

Training of the poor rural labor force	
<u>Interim indicators</u>	
1.	25,000 individuals trained in skills that are in demand, by eligible institutions.
2.	At least 50% of training recipients are indigenous people and at least 50% are women.
3.	At least 70% of training recipients say they are satisfied with the training received.
<u>Impact indicators</u>	
4.	Training recipients are more employable than the control group (higher employment earnings, creation of self-employment, etc.).
National Employment Intermediation Service	
<u>Interim indicators</u>	
1.	30 job intermediation and training institutions connected on-line to the MINTRAB Electronic Job Bank.
2.	27,000 individuals referred by the Employment Service (12% of unemployed annually).
3.	200 COMBEL (core competencies and hands-on experience) courses run, benefiting 4,000 persons.
4.	51 job kiosks and 12 job fairs organized.
5.	Increase each year in number of job vacancies posted with the Employment Service.
<u>Impact indicators</u>	
6.	Reduction in length of spells of unemployment of Employment Service users compared to control group.
7.	15% more of individuals receiving COMBEL training (men and women) found work, compared to the control group.
Strengthening the labor statistics system	
1.	Quarterly availability of files of National Employment and Income Survey (ENEI) data and analytical reports.
2.	Quarterly MINTRAB evaluation reports based on data the ministry compiles (Employment Service, Electronic Job Bank, etc.) and ENEI data.
3.	Implementation of adjustments recommended in external operational and impact evaluations of the program.

- 2.2 The program's specific actions will target two groups. The first are marginal rural workers, a high percentage of them indigenous people, who are characterized by high poverty indices and marked training deficits. To assist this group the program will hire NGOs that are well established in the sector and have been shown, in evaluations, to have the requisite organizational capacity. The aim is to make sure they deliver good-quality training and help make such training even more effective than the services presently available. This goal will be achieved if the training is carefully geared to job-market demands, in the case of wage and salary earners, and if the productivity of self-employed individuals improves.
- 2.3 The second target group are urban workers, particularly youth and women, whose difficulties in finding employment drive up open unemployment rates. The proposed activities to strengthen employment services are expected to help match these individuals with jobs or training options that will develop their skills profiles to meet production-sector requirements. This part of the program will be successful if, together with the strengthening of job intermediation facilities, training ground rules are developed and legitimated so training will be more relevant, aligning training contents and efforts to companies' needs.
- 2.4 The program's specific objectives are to: (i) provide training, to be delivered by institutions selected through competitions, for vulnerable groups in rural Guatemala; (ii) help match the supply and demand for training and the supply and demand for employment nationwide by consolidating the MINTRAB National Public Employment Service; and (iii) strengthen the labor statistics system and MINTRAB's capacity to analyze these statistics, and establish a system to evaluate and monitor the program.

B. Program description

- 2.5 To pursue the above objectives, the program investments and activities will be organized around three components: (i) training for the rural poor; (ii) job training and intermediation services for urban workers; and (iii) labor market analysis and monitoring and evaluation of the program. The program will consist of an operations manual and the proposed changes to the manual mentioned in the general, specific, and implementing guidelines will need to be reviewed and approved by the Bank so that the continuity of the efforts can be assured. The operating manual approved by the Bank must come into force as a condition precedent to the first disbursement.

1. Training of the poor rural workforce (US\$4.3 million)

- 2.6 This component will help improve chances of gainful employment for poor residents of rural areas where steady employment prospects are slim and low productivity is more marked. Training will be provided for unemployed and under-employed poor rural dwellers by way of two lines of activity which aim to: (i) make

the rural jobless more employable by giving them training with contents geared to regional job market needs; and (ii) instill skills that can increase underemployed workers' productivity.

- 2.7 The program will finance roughly 2,000 courses with modules, which may not last more than 10 days, with six to eight hours of classes per day. The program is expected to benefit some 25,000 individuals, roughly 3% of the unemployed or underemployed⁹ economically active rural population. The coverage targets will be achieved in successive stages to give time to consolidate the implementation model in the early phases. Funding will include: (i) per-trainee costs of courses, including administrative costs, which must be held within ranges specified in the selection criteria for proposals; and (ii) a stipend to defray participants' meal and accommodation costs, transport, and child-care expenses.
- 2.8 Organizations will be hired through public competitions to deliver this training. To be eligible for consideration a proposed training activity must benefit residents of rural municipalities with marginalization indices above the national average according to the poverty map produced recently by the Programming and Planning Secretariat of the President's Office (SEGEPLAN). Prospective providers will compete on the basis of training contents that satisfy predetermined criteria having to do with: (i) relevance, to which end candidates must append letters of intent from employers, market surveys, or information on the potential for productivity gains, depending on whether the targeted populations are salary or wage earners, self-employed persons, or the underemployed; (ii) gender and ethnic breakdown of the target population, with information on numbers of prospective female and indigenous beneficiaries, education profile and employment status; and (iii) coordination of the training activities with other production-support and social investment initiatives targeting that same population, to which end applicants must describe interface prospects and planned approaches to link the proposed activities to those other actions. Using resources from technical cooperation operation ATN/SF-7451-GU, MINTRAB is drafting the program's Operating Manual that will specify variables to be used in assessing these criteria and how the criteria will be weighted in proposal scores.

2. The National Employment Intermediation Service (US\$3.8 million)

- 2.9 This component will strengthen and link job intermediation and training services, gearing training toward the development of knowledge and skills that are in demand in the production sectors. The target population for the employment assistance services will be all Guatemalans who are actively seeking work, including the unemployed and underemployed.

⁹ Hidden underemployment.

**a. Strengthening the National Public Employment Service
(US\$1.8 million)**

- 2.10 **Support for implementation of the Electronic Job Bank.** This on-line job board combines the Employment System's database and information management and dissemination system. At present it is operating only in Guatemala City. The Job Bank's implementation will be completed by consolidating its operation and expanding it to the Employment Service's eight regional offices. The program will fund the following: (i) before the Electronic Job Bank is set up at the regional offices, a study to define the network link system and drafting of the corresponding operating manual; (ii) procurement of computer hardware and connections to the national network; and (iii) training and technical assistance needed to operate the Job Bank.
- 2.11 **Establishment of an Employment Services Network.** The program will support the establishment of an Employment Services Network (RESEVIN) in Metropolitan Guatemala City, to link MINTRAB's Electronic Job Bank to the systems in place in private employment agencies. MINTRAB thus will be able to provide faster, better-quality service to companies in need of skilled personnel and increase job seekers' chances of finding work. The employment agencies, for their part, will be able to expand their job search and referral services once they are connected to RESEVIN. Cooperation agreements will be signed to provide employment assistance services and, where applicable, job training. Under these agreements financing will be provided to standardize database and computer system contents, transfer the Electronic Job Bank computer system from the Training, Skills Development and Employment Directorate (DICAFORE) to the private agencies, and acquire hardware and network connections needed to operate the Job Bank.
- 2.12 **Job kiosks and job fairs to improve and expand employment services.** DICAFORE's Employment Department already organizes job kiosks and fairs. These events are held to ascertain job seekers' skills, aptitudes and interests and point them toward jobs for which they are suited. If there are no jobs available with the desired profile, unemployed individuals are shown how to conduct job searches on their own, write a résumé, and handle job interviews. The program intends to improve the quality, timing and coverage of job kiosks and fairs, providing technical assistance to identify the best locations, formats, and times for such events. Funding will be provided for materials and administrative costs to organize 51 job kiosks and 12 job fairs.
- 2.13 **Institutional strengthening of the National Public Employment Service.** Program activities will strengthen the structure and organization of the Employment Service (SPNE) in Guatemala's eight regions, to expand employment assistance services and broaden their coverage. At the outset, funding will be provided for technical assistance to build institutional capacity for operation of the SPNE, whose

functions MINTRAB will absorb incrementally over the course of the program. The program will fund all technical assistance in year one, 75% in year two, 50% in year three, and 25% in year four. Also, it will fund in-service training for SPNE staff and for employment agencies belonging to the RESEVIN network. Training will cover the following tools and elements, among others: (i) operational elements of employment assistance services; (ii) analysis of labor market behavior; (iii) ascertaining demands for training and concerted training efforts with training firms and organizations; and (iv) orientation on gender issues and services for ethnic groups. Computer hardware, furniture and materials also will be purchased for the SPNE.

b. Counseling and guidance for the unemployed and development of core job competencies (US\$2 million)

- 2.14 This subcomponent will target unemployed individuals between 18 and 29 years of age who can read and write and have high school diplomas at most. The training will instill specific core skills to improve recipients' job performance and job searches. To make SPNE assistance more effective, two lines of action will be supported: (i) improving the content of manuals and guides used in Workshops for the Unemployed; and (ii) training to develop core job competencies and gain hands-on experience (COMBEL courses).
- 2.15 The technical assistance the program will finance to improve the content of manuals and guides for Workshops for the Unemployed is designed to make those materials more effective and tailor them to conditions in which the unemployed will be receiving this assistance, whether at SPNE offices or at job kiosks or fairs. Funds also have been budgeted to produce, print, and distribute 32,000 copies of job-search guides for the unemployed.
- 2.16 The COMBEL training (to develop core competencies and provide hands-on experience) will consist of short courses to teach core competencies and make job candidates more employable and productive. Participants will be shown how to gain self-esteem, work in teams, develop communication skills, organize work, locate and use information, use workplace technology and become computer literate, deal with clients, and acquire specific job skills.
- 2.17 The courses are organized to satisfy businesses' demand for skilled personnel. That demand can be identified by SPNE offices, employment agencies in the RESEVIN network, and training providers registered with the Training Institutions Roster. The courses, consisting of classroom and on-the-job training segments, will be contracted out to private training agencies through competitions. During the five-week classroom segment participants will learn core competencies, with the contents mentioned earlier. The practical phase will take place on site at businesses that are in need of skilled workers, lasting from one to two months depending on the respective employee training requirements.

- 2.18 The program will defray the cost of approximately 200 courses running for two to three months and benefiting 4,000 individuals. Trainees will receive a stipend for meals and transportation. To be eligible for program funding a course proposal must include a letter of intent from a company pledging to provide physical space, instructional materials and equipment for the on-the-job training segment. The program will fund technical assistance to develop guidelines for delivery of these courses, setting out objectives, target population, participation requirements, procedures for identifying courses, selecting participants, delivering courses and providing support, and monitoring and supervision arrangements.

3. Strengthening of the labor statistics system and evaluation and monitoring of the program (US\$1.5 million)

- 2.19 This component will support: (i) implementation of the National Employment and Income Survey; (ii) implementation of a system to track and monitor the program activities and strengthen MINTRAB's capacity for labor statistics analysis and database management; (iii) two rounds of impact evaluations of the program-funded employment intermediation and training activities; and (iv) a midterm operational review of the program.
- 2.20 **National Employment and Income Survey (ENEI).** Under a cooperation agreement between MINTRAB and Guatemala's National Statistics Bureau, the program will fund technical assistance and training for execution of the ENEI. Specifically, financing will be provided for two years of services of 12 consultants for field operations (operations coordinator, regional coordinators, field supervisors), 40 consultants to work as enumerators, data entry keyers, analysts, editors and supervisors for inconsistency-checking, two information-systems technicians, four experts in issues and analysis, and one international technical adviser. The aim of the ENEI is to elicit comprehensive, detailed socioeconomic information on: (i) labor participation rates and determinants and employment, underemployment, and unemployment; and (ii) income sources of households and individuals in different regions, areas, and ethnic populations. Another goal is to promote the study of trends, mechanisms and dynamics of production and employment processes. The ENEI findings will be invaluable inputs for economic and social policy design and monitoring, particularly employment policies.
- 2.21 **Program monitoring.** The program will fund technical assistance and equipment purchases to implement a system to monitor and follow up on its activities, to permit ongoing evaluation of the relevance of training courses being delivered. Also slated for funding are training activities to strengthen MINTRAB's capacity for integrated database management, including databases to be generated in executing the operation proposed here, and for the analysis of labor statistics, particularly those to be produced by the Statistics Bureau from ENEI returns.

- 2.22 **Impact and operational evaluations of the program.** Funds have been budgeted for data gathering, processing, and analysis to conduct the two rounds of impact evaluations of the program that will be performed by an independent outside firm. To assess the impact of the intermediation and training activities, the situation of two groups of individuals will be compared before and after the program's launch: one sample of employment and training service recipients (the treatment group) and another of people who did not receive these services (control group).
- 2.23 The control group for both kinds of services—job training and employment assistance—will be constructed using statistical matching techniques, based on observations of individuals with socioeconomic characteristics (captured by the ENEI) similar to the intermediation and training service recipients. The treatment group will be based on a sample of beneficiaries of program-funded services, using the same tool applied for the control group. Complementing the quantitative research will be qualitative evaluation methods for assessing the program, based on structured interviews with individuals involved. The evaluation will address such specific issues as: (i) the effect of employment services on duration of unemployment; and (ii) the impact of training on earnings and hours worked by individuals who benefited from the services.

C. Cost and funding

- 2.24 Table II-2 breaks out the total program cost of US\$11.2 million by funding source. The Bank would provide US\$10 million in Ordinary Capital U.S. dollar financing from the Single Currency Facility. The US\$1.2 million balance would come from the Government of the Republic of Guatemala. Included in the budget, chargeable against the loan proceeds, are US\$100,000 for inspection and supervision and US\$1.1 million for interest.

Table II-2. Program costs (US\$000)

Components	IDB	Local	Total	%
1. Training for the poor rural workforce	3,876	464	4,340	39%
1.1. Training courses	3,533	393	3,926	
1.2. Development of selection and evaluation tools	177	0	177	
1.3. Administrative costs	166	71	237	
2. National Employment Intermediation Service	3,243	557	3,800	34%
2.1. Employment Service consolidation	1,201	557	1,758	
2.1.a. Support for implementation of the Electronic Job Bank	7	0	7	
2.1.b. Establishment of RESEVIN network	9	0	9	
2.1.c. Job kiosks and fairs	151	0	151	
2.1.d. Institution-strengthening	1,034	557	1,591	
2.2. Counseling and skills development	2,042	0	2,042	
3. Strengthening the labor statistics system	1,500	0	1,500	13%
3.1. National Employment and Income Survey	800	0	800	
3.2. Program monitoring	200	0	200	
3.3. Impact and operational evaluations of the program	500	0	500	
4. Audits	150	0	150	1%
Subtotal	8,769	1,020	9,789	
5. Financial costs	1,231	203	1,434	13%
5.i. Interest	1,131	0	1,131	
5.ii. Credit fee	0	203	203	
5.iii. Inspection and supervision	100	0	100	
TOTAL	10,000	1,224	11,224	100%
Percentage share of total funding	89%	11%	100%	

2.25 The loan terms and conditions are listed in Table II-3.

Table II-3. Loan terms and conditions

Funding source	Ordinary Capital
Currency	U.S. dollars, Single Currency Facility
Terms:	
Amortization	25 years
Grace period	4.5 years
Disbursement period	4.5 years
Interest rate	variable
Inspection and supervision	1% of the loan amount
Credit fee	0.75% of undisbursed balance

III. PROGRAM IMPLEMENTATION

A. The borrower

- 3.1 The Republic of Guatemala will be the borrower. The executing agency will be the Ministry of Labor and Social Security (MINTRAB).

B. Basic implementation design

- 3.2 The implementation plan divides the program activities among MINTRAB, through DICAFORE, job training providers, vocational guidance and employment services, and the National Statistics Bureau. A Program Administration Unit (PAU) within MINTRAB will be responsible for: (i) administrative support for each component's activities; (ii) arrangements with the Bank for disbursements and for the local contribution; (iii) coordinating technical-assistance contracting for the program; (iv) support to participating MINTRAB departments in preparing and processing bidding and procurement documentation for goods and services; and (v) preparation, in concert with the executing agencies or units, of program monitoring reports.
- 3.3 The PAU will be staffed by at least three professionals and one support officer, namely: (i) a general coordinator in charge of administrative supervision of the program and direct linkage with DICAFORE; (ii) a technical-administrative coordinator to help with technical-assistance contracting, quality control of bid documents, and tracking of dealings with the Bank; (iii) an accountant; and (iv) an administrative assistant. This PAU personnel will be hired following standard Bank procedures.
- 3.4 The Labor Ministry's Training, Skills Development and Employment Directorate (DICAFORE) will have technical responsibility for executing the program components, including development of operating plans, technical supervision of the program, and input into the design and execution of the external evaluation. DICAFORE has experience in contracting out training courses and is in charge of employment intermediation activities that, though fairly new, have earned favorable assessments. The following sections describe the main implementation arrangements for each component.

1. Training for the poor rural workforce

- 3.5 DICAFORE's Training and Professional Development Department will execute component 1 of the program. This will entail setting conditions for calls for proposals for courses, selecting providers and awarding contracts, and (through a hired outside agency) overseeing the courses to make sure they are of good quality, relevant, and effective. To evaluate the proposals MINTRAB will hire a team of

external evaluators, who will assess the technical and financial components of offers received in accordance with terms of reference and evaluation criteria acceptable to the Bank. The team will rank proposals according to the evaluation criteria listed above in paragraph 2.8. MINTRAB then will award contracts for the courses.

- 3.6 At present, using funds from technical-cooperation operation ATN/SF-7451-GU, MINTRAB is setting up a Roster of Training Institutions that have fulfilled the program's formal and substantive requirements for prequalification. Only prequalified agencies will be able to submit proposals for financing under the program. The formal requirements refer to: (i) the institution's name and other identifying particulars; (ii) its legal status and corporate purpose, including form of organization, services and specialized focus(es), target clientele, monthly and annual client numbers, etc.; and (iii) organizations and institutions from which the applicant receives financial and other support. Among the substantive requirements are a description of methods the institution uses in its training programs, its interfaces and coordination with other job creation or placement agencies, tools it uses to analyze local and regional labor market conditions and behavior, and its relations with local groups and governments. The Roster of Prequalified Training Institutions will be updated semiannually; a notice to that effect will be published at six-month intervals.
- 3.7 Prequalified institutions admitted to the Roster will be invited to submit proposals in accordance with pre-established terms of reference. Competitions will be held at least semiannually in year 1 of the program and every four months thereafter. The terms of reference are to address at least the following requirements: (i) the institution's background and experience, emphasizing its training track record in rural areas. Its performance in previous contracts for program-funded courses will be taken into account in successive calls for proposals; (ii) relevance of the proposed training by reference to production-sector demand. Applicants must append letters of intent from employers, market surveys, or information on prospective productivity increases, depending on whether the target population are salaried employees/wage earners, self-employed, or underemployed; (iii) social profile of prospective trainees, including gender and ethnic variables; (iv) arrangements for dovetailing the training activities with other production-sector and social support to the target clientele; (v) training contents, teaching methods, course duration, instructor profile, instructional materials and other resources; (vi) a financial proposal showing total proposal cost and a breakdown by main components; (vii) inclusion of training units on environmental management and sustainability; and (viii) availability of childcare for children of women attending training courses.
- 3.8 Throughout the training courses DICAFORE's Training and Professional Development Department will supervise activities in the field to make sure the training agencies hired are delivering the services to which they committed in their

proposals. The supervision tool will be a guide for supervisors to check that an institution is complying with the most important administrative and technical requirements. Complementing these program tracking and follow-up activities will be qualitative structured interviews with groups of course participants to assess, ex post, how relevant their training turned out to be. The supervisory work will be done by agencies hired by MINTRAB specifically for this task. To publicize and report on the component's activities and coordinate efforts with other agencies, MINTRAB will set up a roundtable or "discussion forum" to meet at least twice a year, assembling respected training experts and representatives of MINTRAB, the Ministry of Agriculture, small and mid-sized producers, chambers of commerce, industry associations, etc.

2. The National Employment Intermediation Service

- 3.9 DICAFORE's Employment and Worker Placement Department will implement component 2, receiving technical assistance commissioned by the program. It will develop technical criteria for the revision and consolidation of National Employment Service (SPNE) operating manuals, coordinate SPNE staff training and perform quality control of SPNE services. The SPNE regional offices will adopt a flexible structure consistent with guidelines in the operating manual so they can efficiently and effectively provide and coordinate employment services. This structure will be responsible, *inter alia*, for planning and budgeting SPNE activities, administering resources, setting up and maintaining the Electronic Job Bank, processing, producing and disseminating statistical data, and satisfying all operating and logistical requirements.
- 3.10 Companies interested in COMBEL (core job competencies and hands-on training) courses will submit a formal application supplying the following main particulars: (i) company name, address, telephone number, legal information and taxpayer I.D.; (ii) job profiles and skills profile of candidates required to fill the positions; and (iii) core functions or tasks of the positions available. In their applications the companies also must pledge to: (i) provide for young trainees, before they begin the hands-on training segment, a five-week training course on core job-related skills; (ii) provide participants with two months of hands-on training on the company's premises, supplying them with the requisite equipment and supplies; (iii) have the hands-on training taught by an instructor following a training program custom-designed to instill the knowledge and skills needed to perform the core functions or tasks of the position(s) vacant in the firm(s); and (iv) be willing to fill their vacant positions with the young course graduates, provided their achievement and conduct have been satisfactory.
- 3.11 Companies whose applications are approved will be allowed to solicit proposals from three agencies on the Roster of Training Institutions to deliver the core competencies course, and proposals for the hands-on training segment, developed on the basis of company-provided specifications for performance of the core

functions or tasks of the vacant position(s). In their technical evaluations of proposals the companies will be guided by general criteria set by DICAFORE, including: (a) instructors' qualifications and practical experience; (b) instruction time and supervised hands-on training time on company premises; and (c) adherence to the company's performance specifications for the vacant position's core functions or tasks. On the basis of this technical evaluation the firms will propose to DICAFORE that the selected training agency be hired; this will be approved if the corresponding financial offer is in line with COMBEL course terms and costs. The final step will be the signing of a contract with the selected training agency and DICAFORE, setting forth the parties' undertakings for operation of the training course.

3. Strengthening of the labor statistics system and monitoring and evaluation of the program

- 3.12 For execution of component 3, DICAFORE will receive support from the Statistics Department in MINTRAB's Planning Unit. MINTRAB and the National Statistics Bureau will sign an agreement to execute the National Employment and Income Survey activities. Signature of this agreement will be a condition precedent to disbursement of funds for this component.

C. Implementation requirements

1. Contracting of training courses

- 3.13 In keeping with the practice followed in other Bank-funded employment training programs, contracts for training courses for component 1 of the operation proposed here will be awarded following the Bank's competitive bidding procedures, which will be appended to the loan contract as Annex D. The terminology of that annex is being changed to substitute "course(s)" for "good(s)", to permit the selection of the best course proposals based on quality and price. There will be provision in the course-contracting procedure to select multiple providers in a single call for proposals, using a proposal scoring and ranking system.

2. Investment timetable

- 3.14 Table III-1 shows estimated outlays by funding source over the four years of the program.

Table III-1. Disbursement timetable

Funding source	(US\$000)			
	Year 1	Year 2	Year 3	Year 4
IDB	1,115	2,545	3,173	3,167
Local	214	367	357	284
Total	1,329	2,912	3,531	3,451

3. Progress monitoring and evaluation

- 3.15 **Monitoring.** Throughout the program the executing agency will produce semiannual monitoring reports and submit them to the Bank for consideration, as a basis for annual reviews. The reports will examine the program's status, looking at such variables as: (i) number of bidders and providers and quality of training courses on offer; (ii) effectiveness of the program contracting procedures; (iii) number of courses contracted for, adherence to contractual time commitments, and number, gender, and ethnicity of training recipients; (iv) progress made on institutional strengthening of the National Employment Service (SPNE), including timeliness and caliber of the technical assistance contracted, computer systems and customer service routines installed, and capacity for labor market analysis, particularly with regard to ethnic and gender variables; and (v) number of job referrals, job vacancies posted, and individuals placed by the SPNE.
- 3.16 **Evaluation.** MINTRAB will engage an independent firm to evaluate the impact of the employment training and intermediation activities. The call for proposals for this firm is to stipulate the following conditions at a minimum: (i) the firm must use quasi-experimental quantitative methods based on repetitive observation of two groups of individuals before and after the program's launch: one sample of recipients of the employment and training services (the treatment group), and another of individuals who did not receive these services (the control group); (ii) the control group is to be constructed using statistical matching techniques, based on observations of individuals with socioeconomic characteristics (in the National Employment and Income Survey) similar to the recipients of the job training and employment services; and (iii) to assess the program's quality the firm must use qualitative evaluation methods based on structured interviews with participants. The evaluation is to address, *inter alia*, two specific points: (i) effect of the employment intermediation services on the duration of periods of unemployment; and (ii) impact of the training on earnings and hours worked by training recipients.

D. Other implementation provisions

1. Procurement

- 3.17 There are no plans in the program for civil works construction. Bank procedures will be followed to obtain goods and associated services, hire consultants, and contract for training courses. The following procurement and contracting procedures will be used: (i) international competitive bidding, to contract for courses and purchase goods costing US\$250,000 or more and for technical assistance contracts of US\$200,000 or more; (ii) local competitive bidding, to contract for courses and purchase goods costing between US\$100,000 and US\$249,000 and for technical assistance contracts between US\$100,000 and US\$199,000; and (iii) restricted calls for proposals, for course and technical

assistance contracts and goods worth less than US\$100,000. Course-contracting documentation will be reviewed by the Bank as explained in Annex D to the loan contract, referred to in paragraph 3.13 above. Procurement documentation for goods and consulting services will be reviewed ex ante.

- 3.18 The foregoing provisions notwithstanding, in the course of the program the Bank may approve the ex post review of documents relating to tendering of goods and consulting services, based on an evaluation of the executing agency's performance.

2. Audits

- 3.19 DICAFORE, through the Program Administration Unit (PAU), will open and maintain proper accounts and records in accordance with acceptable accounting practices. For each year of the program a firm of outside independent auditors acceptable to the Bank will audit the financial statements, adhering to terms of reference approved in advance by the Bank. Audit reports are to be presented within 120 days after the fiscal year-end. Audit costs are included in the program budget and will be defrayed out of the Bank's loan proceeds.

3. Conditions precedent to the first disbursement

- 3.20 Table III-3 lists special conditions precedent to disbursement of the Bank's loan. Support for compliance with these conditions is being provided during the preparation of this program, with funding from operation ATN/SF-7451-GU and technical-cooperation resources for the Group C and D countries.

Table III-3. Special conditions precedent to disbursement

Condition	Required fulfillment date	Means of verification
MINTRAB setup of the PAU and hiring, at a minimum, of the general coordinator and accountant.	Before the first disbursement.	MINTRAB resolution creating the PAU and contracts signed with general coordinator and accountant.
Submittal of terms of reference and bid documents for external evaluation of the program's impact.	Before the first disbursement.	Bank clearance of terms of reference and bid documents.
Entry into effect of the program's Operating Manual.	Before the first disbursement.	MINTRAB resolution.
Agreement signed with National Statistics Bureau.	Before the first disbursement of component 3 funds.	Signed agreement approved by the Bank.

4. Revolving fund

- 3.21 In keeping with Bank procedures, a revolving fund equivalent to 5% of the loan will be established for the duration of the program. Standard Bank document-review and reporting procedures will be followed.

IV. SOCIAL AND ENVIRONMENTAL IMPACT AND RISKS

A. Benefits

- 4.1 The program will strengthen investment in training for the poorest Guatemalan rural dwellers and improve employment services to benefit urban residents. The prospective beneficiaries thus fall into two distinct groups: (i) the rural underemployed; and (ii) unemployed urban workers. The groups have different makeups by gender, age, ethnicity, and level of schooling and face different kinds of obstacles when they seek to improve their employment situation. For the first group the program's anticipated outcome is a net increase in employment earnings or employability of the target population of underemployed rural workers. For the second group the program aims to shorten episodes of unemployment, match job seekers' skills more closely to skills profiles of vacant positions, and raise beneficiaries' average earnings.

1. Program activities in rural areas

- 4.2 The program's anticipated impacts in rural areas are: (i) an increase in hourly employment earnings and/or in number of hours worked by program beneficiaries compared to a control group; and (ii) greater differentiation in employment income sources in beneficiary households.
- 4.3 Only a minority of Guatemalan rural dwellers have full access to formal education. The Technical Training Institute (INTECAP) circuit does not take in rural areas, whose residents have low educational attainment, are geographically scattered and operate in a distinctly informal labor market. Preliminary evidence from a regression analysis of employment training impacts shows that participation in job training courses boosts hourly employment income, on average, by up to 10% for men and 15% for women.¹⁰ Using data from the 2000 Living Standards Survey (ENCOVI) the analysis controlled a series of household socioeconomic factors (schooling, work experience, mono or bilingualism, ethnicity, demographic makeup, etc.), for geographic variables, and for labor market variables (e.g. employment sector). Based on these returns, a very rough estimate would put the annual increase in employment earnings of poor job-training recipients at a range of US\$60-US\$80 for men and US\$70-US\$90 for women.¹¹
- 4.4 Further preliminary evidence from an examination of the 2000 ENCOVI survey returns suggests that rural residents who receive job training become more

¹⁰ Vakis (2002).

¹¹ Assuming an average of 25 hours worked weekly by women and 35 by men, hourly employment earnings equal to the rural-poor average (between 3 and 3.8 quetzales for men, between 3 and 3.5 quetzales for women), and an exchange rate of 8 quetzales to 1 U.S. dollar.

employable. Over 66% of rural training recipients feel that the training enhanced their employability or earnings, i.e., it increased their or their employer's output, boosted their income or earned them a promotion at work, helped them become self-employed, or helped in their job search. Only 18% of the recipients felt that the training had no impact.

- 4.5 The degree of differentiation in the structure of employment income of the poor and non-poor in rural areas correlates to residents' economic and social vulnerability. The best-off households are the ones with the greatest differentiation of employment income sources. Over half (52%) of the total income of extremely poor households (from wages and self-employment) comes from agriculture and 29% from off-farm work. In poor households the farming-income share drops to 34% of overall income and the off-farm portion rises to 43%. In non-poor households the two percentages are 7% and 65%, respectively. Women's labor-market participation also correlates positively with the degree of differentiation of household income sources. By gearing training to job-market demands, the proposed program expects to help diversify poor households' income sources.
- 4.6 As chapter 2 explained, training for women and indigenous groups will be a priority criterion in the selection of training proposals for funding. Hiring private providers with proven experience in surmounting geographic and linguistic barriers is one way to assure that training activities will be effective, putting MINTRAB in charge of training evaluation and funding. In this way, training-course contents can be tailored to true local production conditions—an essential requirement in a country that is one of the most geographically and ethnically fragmented in the region. The program also will maximize the benefits of the training activities by endeavoring to ensure that they complement other actions, funded by other government or nongovernmental agencies, that are helping the same target clientele to accumulate productive assets such as equipment, inputs, and capital.

2. Activities in urban areas

- 4.7 **Benefits of the employment intermediation system.** The most important effects sought by the proposed program in consolidating and expanding the National Public Employment Service (SPNE) and establishing an Employment Services Network (RESEVIN) are: (i) for unemployed job seekers: shorten and reduce the frequency of periods of unemployment for persons using SPNE and RESEVIN services compared to a control group not using these services; and (ii) for employers: shorten recruitment times and have workers whose skills profiles more closely match the skills profile of positions to be staffed. In the process, recruitment costs are expected to come down. The planned linkage between private employment agencies and the Labor Ministry's Training, Skills Development and Employment Directorate (DICAFORE) in Metropolitan Guatemala City will allow for testing of a service delivery model that would set the stage for sustainable expansion of the employment assistance services to other parts of the country.

- 4.8 According to international experience, expanding and strengthening a national employment intermediation system could lower the risk of gender and ethnic discrimination in the job market.¹² This is a particularly relevant issue for Guatemala: ENCOVI 2000 data suggest that close to 40% of the country's male-female wage differential can be attributed not to different levels of schooling or work experience but to discrimination.
- 4.9 **Training benefits.** The anticipated benefits for individuals receiving training are: (i) greatly improved prospects of securing gainful employment; and (ii) higher earnings and greater job stability. For employers, having workers trained in the requisite skills will cut recruitment costs thanks to lower turnover.
- 4.10 The data available on urban unemployment suggest that the program activities should focus on unemployed youth with at most a high-school education and, within that group, on women. The employment obstacles these young people face are associated with education system difficulties in developing the right skills profiles to meet production-sector needs. One benefit of the proposed program will be the synergies it creates between RESEVIN and private training providers on the Training Institutions Roster, to steer the unemployed and individuals who are not part of the workforce toward training options that will develop the skills profiles the private sector wants. This model also is in line with the current trend in various countries to modernize and realign the supply of employment services.¹³
- 4.11 The most effective approach for enhancing training recipients' employability appears to be short-term training courses that develop core job competencies and give participants hands-on experience on company premises—two key criteria being that the training must be relevant and match production-sector demands.¹⁴ This mix of classroom and on-the-job training is the best way to fill position requirements, and gives employers a chance to observe workers' performance to see who best meets their skills requirements. This would cut down on future turnover and dissatisfaction and enhance job productivity.

¹² John P. Martin (1998). International experience suggests that job-search assistance programs benefit women and sole parents particularly.

¹³ Jacqueline Mazza (2001). *Labor Intermediation Services: A Review for Latin America and the Caribbean Countries*. Draft. Sustainable Development Department, Inter-American Development Bank, Washington, D.C.

¹⁴ *Evaluation Study of the "Training Grants for the Unemployed" Program (PROBECAT)*. Ministry of Labor and Social Security. Employment Directorate. Mexico D.F. The study found the skills development/hands-on training mix to be an effective way of helping training recipients enter or re-enter the job market. It shortens the duration of unemployment spells, increases worker placement rates, and in particular improves women's employment prospects regardless of their prior work experience.

B. Environmental considerations

- 4.12 Since most of the proposed activities focus on training and technical assistance, with some modest outlays for furniture and equipment, the program should have no direct impact on the environment. Nevertheless, one requirement for the training proposals presented will be an analysis of the environmental impact of the work activities to be fostered. One element in proposal scoring will be the applicant's description of proposed training segments on environmental management and sustainability.

C. Social equity and poverty reduction classification

- 4.13 This operation qualifies as a poverty-targeted initiative (PTI) by virtue of geographic and poverty index ("headcount") ratio criteria. The proposed training in rural areas will benefit residents of municipalities with marginalization indices above the national average, according to the poverty map recently developed by the Programming and Planning Secretariat of the President's Office (SEGEPLAN). Moreover, it is expected that over 50% of the individuals stand to benefit from the COMBEL courses since 60% of the unemployed in the target age group belong to the two lowest income quintiles.

D. Risks

- 4.14 The program's success in achieving the anticipated impacts in terms of income increases, improvements in employability and productivity gains will hinge in large measure on robust, sustainable economic growth. That in turn will require a stable fiscal situation with bolstered tax revenue sources to sustain an expansion in social spending. Equally important is a sound, reliable financial system to boost investment and propel development of the production sectors.
- 4.15 One of the program's main risks lies in MINTRAB's lack of experience as training sector regulator and evaluator. To attenuate this risk, the ministry's capabilities in those spheres are being bolstered prior to execution of the operation described here. The guidelines and operating procedures being developed with support from operation ATN/SF-7451-GU (Institutional Strengthening and Preparation of the Labor Market Program) will permit the execution of activities planned in the program's components. Likewise, the Bank's Guatemala Country Office has been directly training key MINTRAB personnel in Bank rules and procedures.
- 4.16 To be able to implement a nationwide Employment Service, MINTRAB will need solid management capabilities, including the ability to coordinate the work of regional offices and headquarters, training organizations, production-sector demands, and job seekers' needs. To mitigate risks in this regard the program will blend the experience gained through the Electronic Job Bank and job fairs and

kiosks with staged implementation of the system in the regional offices. Toward the end of the program it will be operating nationwide.

LABOR MARKET PROGRAM (GU-0158)

Logical Framework

Descriptive summary	Indicators	Means of verification	Assumptions
Goal 1. Improve conditions for Guatemalans' labor market participation.	1.1 Reduction in unemployment and underemployment.	1.1 National Employment and Income Survey. Household surveys.	1. Robust economic growth and macroeconomic stability.
Purpose 1. Job training and intermediation is coordinated by Ministry of Labor (MINTRAB).	1.1 75% of the National Public Employment Service (SPNE) users are satisfied with the services received. 1.2 30% of clients referred get jobs. 1.3 By the end of the project, 50 training institutions are part of the MINTRAB-coordinated system.	1.1 Qualitative evaluation surveys of the program. 1.2 National Employment and Income Survey. 1.3 Quarterly reports on labor market indicators. 1.4 DICAFORE (Training, Skills Development and Employment Directorate) records/postings of vacancies, positions, number of referrals. 1.5 Roster of training institutions that are part of the MINTRAB system.	1. Better coordination between government and private-sector employment-development activities.
Components 1. Vulnerable rural populations receive training from organizations selected through competitions.	1.1 25,000 individuals from vulnerable populations are trained in skills, which are in demand, by prequalified training institutions. 1.2 At least 50% of training recipients are indigenous people and 50% women.	1.1 Roster of prequalified training providers. 1.2 MINTRAB administrative records showing number of persons who attended and completed training courses.	1. MINTRAB continues to pursue its policy of promoting training for vulnerable populations.

Descriptive summary	Indicators	Means of verification	Assumptions
	<p>1.3 At least 70% of training recipients say they are satisfied with the training received.</p> <p>1.4 At least 65% of training recipients become more employable (higher output, higher employment earnings, creation of self-employment).</p> <p>1.5 Targeting is successful.</p>	<p>1.3 Activity reports received by MINTRAB from training institutions.</p> <p>1.4 Reports assessing the relevance of courses delivered.</p> <p>1.5 Program impact evaluation reports.</p> <p>1.6 Guatemala poverty map.</p>	
<p>2. MINTRAB's Employment Service sets up linkages to help match training supply and demand and employment supply and demand nationwide.</p>	<p>2.1 By the end of year 1, 13 employment and training agencies are linked on-line to MINTRAB's Electronic Job Bank.</p> <p>2.2 The Employment Service has referred 80,000 people for jobs.</p> <p>2.3 200 COMBEL (core job competencies and hands-on training) courses have been delivered, benefiting 4,000 participants.</p> <p>2.4 51 job kiosks and 12 job fairs organized.</p> <p>2.5 Annual increase in number of jobs posted with the Employment Service.</p> <p>2.6 Annual increase in number of men and women approaching the Employment Service in search of jobs and/or training.</p> <p>2.7 Reduction in duration of episodes of unemployment of RESEVIN users compared with the control group.</p> <p>2.8 80% of men and women receiving COMBEL training have found work.</p>	<p>2.1 Administrative records of employment services and placement agencies.</p> <p>2.2 Administrative records and contracts signed with training organizations.</p> <p>2.3 Agreements executed with private employment agencies.</p> <p>2.4 Reports and manuals presented to the Bank's satisfaction on Electronic Job Bank software developed and in use.</p> <p>2.5 National Employment and Income Survey and program impact evaluation reports.</p>	<p>2. Private employment service and training providers are prepared to cooperate.</p>

Descriptive summary	Indicators	Means of verification	Assumptions
<p>3. Strengthening of the labor statistics system and evaluation and monitoring of the program.</p>	<p>3.1 Beginning in October 2002 the National Statistics Bureau (INE) releases National Employment and Income Survey (ENEI) data files and analytical reports quarterly.</p> <p>3.2 Beginning in December 2002 MINTRAB produces quarterly reports based on data gathered from the SPNE, Electronic Job Bank, etc., and on ENEI returns.</p> <p>3.3 Adjustments recommended in the external operational and impact evaluations of the program are duly implemented.</p>	<p>3.1 Ratified agreement between INE and MINTRAB. INE reports and ENEI databases received quarterly by MINTRAB.</p> <p>3.2 MINTRAB quarterly reports of labor market analyses based on ENEI data and data gathered by the ministry.</p> <p>3.3 Midterm evaluation report.</p> <p>3.4 MINTRAB monitoring and evaluation reports.</p> <p>3.5 Amendments, if any, to the operating regulations in light of evaluation findings.</p>	<p>3. There are sufficient fiscal resources to effectively strengthen the national statistics system and assure continuity of the National Employment Survey.</p>
<p>Activities</p> <p>1.1 Create a Roster of Training Institutions.</p> <p>1.2 Issue calls for training proposals based on pre-established terms of reference. Select training providers.</p> <p>1.3 Deliver training courses to poor rural residents.</p> <p>1.4 Supervise training courses.</p> <p>1.5 Monitor course outcomes.</p>		<p>1.1 Roster developed by MINTRAB.</p> <p>1.2 Calls for proposals issued and proposals selected by MINTRAB.</p> <p>1.3 Information on budget execution.</p> <p>1.4 Supervision firms hired by MINTRAB and supervision reports prepared.</p> <p>1.5 Monitoring firms hired by MINTRAB and monitoring reports produced.</p>	<p>1. Adequate budget finds are allotted for the program's implementation.</p>

Descriptive summary	Indicators	Means of verification	Assumptions
<p>2.1 Consolidate and expand the Electronic Job Bank by purchasing computer hardware, expanding network links and providing training.</p> <p>2.2 Establish the Employment Services Network (RESEVIN).</p> <p>2.3 Organize job kiosks and fairs.</p> <p>2.4 Strengthen and expand the National Public Employment Service (SPNE) through technical assistance, personnel training, and procurement of computer hardware, furniture and materials.</p> <p>2.5 Deliver core job competencies and hands-on training (COMBEL courses).</p> <p>2.6 Improve content of manuals and guides for Workshops for the Unemployed.</p>		<p>2.1 Study of the network link system and associated operating manual prepared. Information on budget execution.</p> <p>2.2 Cooperation agreements signed. Information on budget execution.</p> <p>2.3 Information on budget execution.</p> <p>2.4 Information on budget execution.</p> <p>2.5 Information on budget execution.</p> <p>2.6 Information on budget execution. Printing and distribution of 32,000 guides.</p>	<p>2. Adequate budget funds are allotted for the program's implementation.</p>
<p>3.1 Conduct the National Employment and Income Survey.</p> <p>3.2 Implement the program monitoring system.</p> <p>3.3 Perform midterm operational evaluation of the program.</p> <p>3.4 Evaluate the impact of the employment intermediation and training activities.</p>		<p>3.1 Signed MINTRAB-National Statistics Bureau agreement. Quarterly bulletins published. Information on budget execution.</p> <p>3.2 System designed and implemented.</p> <p>3.3 Evaluation report produced.</p> <p>3.4 Two rounds of impact evaluations performed by an external consulting firm. Information on budget execution.</p>	<p>3. Adequate budget funds are allotted for the program's implementation.</p>

GUATEMALA
LABOR MARKET PROGRAM
(GU-0158)

Procurement plan

Main procurement items	Funding	Procurement method		Prequalification	Planned SPN publication date
1. Program implementation					
Services—US\$5.9 million Training courses Training for the unemployed and core competencies development	94% IDB 6% GOG.	US\$250,000 and up US\$100,000-US\$249,000 Under US\$100,000	ICB LCB RCP	Yes ^{1/}	I/2002
Technical assistance—US\$1.6 million Development of selection instruments Job kiosks and fairs Support for Electronic Job Bank implementation National Employment and Income Survey Monitoring and follow-up	100% IDB	Over US\$200,000 US\$100,000-US\$199,000 Under US\$100,000	ICB LCB RCP	No	I/2002
Equipment and furniture—US\$700,000 Institution-strengthening Computer hardware Furniture	78% IDB 22% GOG	Over US\$250,000 US\$100,000-US\$249,000 Under US\$100,000	ICB LCB RCP	No	II/2002
2. Program administration					
Short- and long-term consultants—US\$1.4 million Administrative costs for training Employment Service structure and organization	66% IDB 34% GOG	Over US\$200,000 US\$100,000-US\$200,000 Under US\$100,000	ICB LCB RCP	No	N/A

- 1/ For training courses.
I First half of year
II Second half of year
ICB International competitive bidding
GOG Government of Guatemala
LCB Local competitive bidding
RCP Restricted call for proposals
SPN Special Procurement Notice